GOVERNMENT OF INDIA
COAL
LOK SABHA

STARRED QUESTION NO:242
ANSWERED ON:08.03.2006
FDI IN COAL SECTOR
Singh Shri Mohan

Will the Minister of COAL be pleased to state:

(a) the reasons for permitting 100% FDI caps under automatic route for coal and lignite mining;

(b) the extent to which domestic production of coal is likely to be affected by it;

(c) the reasons for nationalisation of coal mines;

(d) whether nationalisation of coal sector had any impact on the coal production in the country;

(e) if so, the details thereof;

(f) whether the underlying objectives behind nationalisation of coal sector are no more valid; and

(g) if so, the details thereof?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF COAL (SHRI SHIBU SOREN)

(a) to (g): A statement is laid on the table of ihe House.

Statement as mentioned in Starred Question no.242 for answer on 08.03.06 asked by Shri Mohan Singh regarding FDI in coal sector.

(a) Considering the increasing demand for coal and lignite and since exploration and mining activities are subject to sector approvals/regulations, the Government has reviewed the policy on FDI. It has been decided to increase FDI caps to 100% and permit it under the automatic route for coal and lignite mining for captive consumption by power projects, iron & steel, cement production and other eligible activities permitted as per the provisions of the Coal Mines (Nationalisation) Act, 1973.

(b) The present domestic production of coal by the Government coal companies is not likely to be affected by the liberalised FDI policy. However, it is expected to increase production of coal by companies for captive consumption in the areas of power generation, manuf acturing of iron & steel and cement production.

(c)to(g) The need to reorganise and reconstruct coal mines so as to ensure that the rational, coordinated, scientific c development and utilisation of coal resources consistent with the growing requirements of the country were the main reasons for nationalisation of coalmines.

Since nationalisation of coal sector there has been manifold increase in coal production by Coal India Limited (CIL). At the time of inception in 1975, CIL`s annual coal production was 79 million tonnes, which increased to 323.58 million tonnes in 2004-05,. CIL`s coal production is likely to touch 345 million tonnes in the year 2005-06.

In the ch`anging economic environment, underlying objectives behind nationalisation would continue to be subserved by encouraging coal mining in both public and private sectors through an effective regulatory framework. Accordingly, the Coal Mines Nationalisation Act, 1973 was amended in 1976 and 1993 to allow captive mining for the benefit of power, steel and cement sectors.